

2021bmsech

1 UNITED STATES DISTRICT COURT
2 SOUTHERN DISTRICT OF NEW YORK

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3 SECURITIES and EXCHANGE
4 COMMISSION,

Plaintiff,

v.

12 CV 6421 (KMK)

HEARING

7 EDWARD BRONSON,

8 Defendant.

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11
12 United States Courthouse
13 White Plains, New York
14 November 22, 2021
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18 Before: THE HONORABLE KENNETH M. KARAS, District Judge
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1 THE WITNESS: I used -- we have always used Macallan
2 as our company for owning vehicles, your Honor.

3 THE COURT: Okay.

4 Q. If that's the -- if Macallan pays your family's auto
5 insurance, why do you have auto expense -- auto insurance
6 expense listed on your sworn financial statement?

7 A. Macallan doesn't pay the expense. Macallan is the name.
8 Top Knot pays the expense.

9 THE COURT: Well, you just said that, actually,
10 Macallan had a policy, an insurance policy.

11 THE WITNESS: It's Macallan's policy, but --

12 THE COURT: You thought it was Progressive.

13 So who's insuring the car that your [REDACTED] has?

14 THE WITNESS: Progressive.

15 THE COURT: Who pays for Progressive to insure the
16 car?

17 THE WITNESS: All our payments come from Top Knot.

18 THE COURT: Okay.

19 THE WITNESS: Nothing secretive, your Honor.

20 THE COURT: Next question.

21 MS. KING: Sure.

22 Q. Footnote 2 on the second page states the current market
23 value of total balance is 24 million and some more, 50 percent
24 of which is beneficially owned by the Krost family.

25 What is that referring to?

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1 And it's not enough to say, you know, well, we don't have furs.
2 You know, it's not good enough to say there's people out there
3 who have more money. Okay, there are people who might own
4 private jets. It doesn't mean that, when you owe the
5 government, you've made almost no payments, you get to go fly
6 first class and, by the way, fly the whole family down to
7 [REDACTED]. So, yes, the Ritz becomes relevant. Because, again,
8 it's Mr. Bronson's burden to show he can't make any payments.
9 Not that he can't make the total-amount payment all at once.

10 And the fact that he has continued. In spite of the
11 Court's clear warning back in January of this year that that
12 kind of spending was not a defense, he continued to do it.
13 Diligence? No. The opposite of diligence. It is hubris with
14 a capital H.

15 And then the final act was coming up here and giving
16 not credible testimony.

17 Cars. Two cars, 2021. And not just any cars. We
18 got ourselves a Cadillac to replace the 2017 Cadillac. To make
19 sure there's no typo, the 2021 Cadillac replaced the 2017
20 Cadillac. Not the 2007 Cadillac. Not the 1997 Cadillac. The
21 four-year-old Cadillac. The same year that the Court entered
22 its judgment. And we get [REDACTED] a Ford Bronco, a '21 Ford
23 Bronco, that's not even paid for -- and he couldn't even get it
24 straight. Well, it's -- it's -- it's -- it's ^Macallan. No,
25 it's not. It's -- oh, it's -- I mean, that's what happens when

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1 you run a scheme like this. You lose track of where the dots
2 are supposed to get connected.

3 And so if there's access to Top Knot or ^Macallan or
4 whatever corporate shell we're going to use here to pay for a
5 Ford Bronco, then there's money to pay towards the judgment,
6 which utterly and completely and thoroughly defeats the
7 inability-to-pay defense here. By the way, [REDACTED] who's now
8 off in [REDACTED].

9 \$1,500 for the vet because I guess there's a
10 constitutional right to have all these pets. \$1,500 a month
11 hair and beauty. But that's not lavish. The jewelry valued in
12 excess of \$200,000. But that's not luxurious.

13 This isn't even close in terms of Mr. Bronson's
14 inability to establish his burden to show he cannot pay
15 something towards the restitution, and it certainly solidifies
16 the SEC's case in terms of lack of diligence. This is lack of
17 respect for Mr. Bronson's obligations, to pay his obligations
18 under the order. And the calendar's about to turn to 2022 and
19 the Court's original judgment was in 2017 and not a penny was
20 paid until the SEC finally turned up the heat late last year
21 and early this year and when the Court had to say how about
22 \$25,000. Twice we had to wait for that one to come in, you
23 know, while there are \$3,000 birthday parties.

24 So there's no doubt in my mind that the SEC has met
25 its burden and Mr. Bronson has not. So then the question is